Previous references.

1891-2
~~190~~ .

(General Finance)

File No. 7/1891

Serial Nos. 1

Later references.

GENERAL AND REVENUE SECRETARIAT.

R. 12 (E)

Serial Nos. 1

Part B. for

SUBJECT.

The Maharaja of Mysore Spinning and Manufacturing Company. Col. A. Le Messurier's Circular Letter

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Table of contents.

Sl. No 1 of 23rd April 1892. From Col. A. Le Messurier. Sends a printed Copy of his Circular letter Dated the 23rd April 1892.

[**Confidential.**]

LAHORE, 23*rd April* 1892.

DEAR SIR,

Owing to certain letters which I received at Lahore, regarding the Mahárája Mysore Mill, I determined to take short leave and ascertain for myself more clearly the position of its affairs. I arrived in Bangalore on 23rd January, and left again on the 6th February. I promised to send you a copy of my notes, but, when completing them, I found that the rough statements, which had been prepared for me, showing—

(*a*) financial position of the Company on 1st February 1892, and

(*b*) profit and loss for 28 working days in January 1892,

were incorrect. Consequently I had the type broken up, and no figures were ready to support my remarks.

2. When I received your eighth report, dated 21st March 1892, I was surprised to find that the Directors had quoted me as an *authority* on the affairs of the Company. I therefore wired you the following messages from Peshawar, dated 5th April 1892, *viz.* :—

> "Directors' Report for 1891 just received. Paragraph 11 incorrect and misleading. Please cancel forthwith."

> "Strongly object to my name, investment and opinions being published without my authority. Please cancel whole paragraph. Letter despatched."

And again, on receipt of Agents' Supplement to the Directors' Report for 1891 at Abbottabad, finding it contained a reference to my visit and my connection with the Mill, I telegraphed to the Secretary on 13th April 1892 as follows :—

> "Please reprint Agents' Supplement, omitting 6th, 7th, 8th, 9th lines, page 2."

3. As I am now in possession of your printed reports, I proceed to rewrite my notes. My remarks, I trust, will be carefully considered by you and your colleagues; they are made without prejudice to any one connected with the Mill. My desire is that, if there is anything wrong, it should be set right in the interests of all concerned. Further, as these notes (based on what Mr. Scott freely told me at Bangalore, and on what I saw and on what I heard during my visit to that station) may assist others to understand more clearly the financial position of the Mill, I have no objection to your enclosing, as you may think proper, either the whole or part of this letter to the *shareholders* for their information.

4. *Starting the Mill.*—Writing from memory, Mr. James Scott visited Bangalore in 1882 or 1883. A company was formed by Messrs. Scott and Alcock and Shapoorjee, a firm trading under the name of Messrs. James Scott and Company, of 9, Hornby Row, in Bombay, and the public was invited to take shares in the Mill, roughly, on the following terms, *viz.* :—

> I.—That the above-named gentlemen would guarantee 12 per cent. for 12 years to all who would take guaranteed shares and would divide any surplus profits; and
>
> II.—That the above-named gentlemen would become Agents for the Mill at a remuneration of 10 *per cent. on net profits.*

5. *Scott & Co.*—The above terms were sufficient for me, and I applied for *guaranteed shares only.* Others, who considered that profits would exceed 12 per cent. yearly, preferred to take ordinary shares. For my own part, I can state that the Agents have regularly paid me my 12 per cent. guarantee for seven or eight years (subject to a slight deduction in one year, to which I objected, and subject to my accepting the guarantee for 1891 in debentures). I assume that the

firm of "Scott and Co." still exists in all its integrity, and that Messrs. James Scott, Isaac Alcock and Shapoorjee Burjojee are still, individually and collectively, responsible to shareholders for the 12 per cent. guarantee dividend. *Otherwise* the Directors would without doubt have informed the shareholders of any change. (See Question 17).

6. *Alterations in Articles of Association.*—The terms under which the Agents invited subscriptions have been subsequently altered, very much, I think, to the advantage of the Agents, *viz.* :—

At an Extraordinary General Meeting on 1st September 1886, Article 3, Clause N, was struck out, and instead of the Directors having a paid Secretary, the Agents, Messrs. Scott and Co. (583 votes against 35), became Secretaries as well, with a monthly allowance of Rs. 600 for office establishment.

Also Section 70 was altered, wherein each share was made to carry one vote, the effect being that, as the Agents held 1,810 shares, the power of their votes was increased from 415 to 1,810.

Again, at an Extraordinary General Meeting on 3rd February 1890, clause 105 was altered, so that, instead of 10 per cent. on net profits, the Agents' commission was fixed at 3 pies per pound of yarn produced. The direct effect of this being that during 1890 and 1891, instead of receiving Rs. 1,462, the Agents have appropriated Rs. 43,873.

7. *Agents' Commission.*—Originally the agreement was that the Agents should receive commission from *profits*, but this was changed in 1890 (Messrs. Scott & Co. being the largest shareholders) to 3 pies per pound of *production*. Such an alteration is legal under the Indian Companies Act, 1882, Part III, Section 76; but, for my own part, *I object to any change which affects the conditions under which shareholders were asked to and did subscribe their money.* The Agents should be asked to consider whether the original bargain with the shareholders may not stand. The Mill has earned but little *profit* (Rs. 25,248 in seven years), but its *produce* is now surcharged (Rs. 43,873 in two years) somewhat seriously.

The Agents are entitled, undoubtedly, to remuneration for their work; but, judging by results, the time has not arrived for any change in the original terms, which may act detrimentally to the shareholders.

On the other hand, it may not be possible to conduct the agency through any other firms *on lower terms;* and I also understand that Scott and Co. are ready to give up the agency. If so, and in regard to the financial position of the Mill, it would be better to entertain a paid Manager and Agent under the Directors.

Under the present arrangement, it seems to me that the tendency would be to increase the *production* at all costs. This means working the Mill to its utmost, incomplete maintenance, and a demand in a short time for new machinery, on which again the Agents would derive considerable profit.

The Agents, I understand, have not drawn their commission in *cash* but in *debentures*. If so, they are lending money to the Mill at $7\frac{1}{2}$ per cent. But at the present *rate of production* the Agents' commission will swallow up the whole of the debentures in less than $(\frac{2,50,000}{21,936})$ 12 years, and then saddle the Mill with a permanent charge of Rs. 18,750 yearly for interest, while at the *present rate of loss* $(\frac{18,124+7,960}{2})$ the Company will be worse off by $(13,042 \times 12)$ Rs. 1,56,504 at the end of a like period. But it must be remembered that in this Mill Messrs. Scott and Co. possess nearly two lakhs of shares, and they guarantee 12 per cent. for 12 years on a third lakh: therefore the charge of 3 pies per pound of total production *includes* 2 *pies of their own money* and 1 pie of the shareholders' money; or, in other words, the shareholders outside the Agency only pay 3 pies per pound on their one-third share of the production.

8. *General position.*—Several shareholders spoke to me at Bangalore about the Mill management, but all argument and representation seems to me to return to the starting point, *viz.*, that *we are in the hands of Messrs. Scott and Co.*, from the fact that Messrs. Scott and Co. (besides being Agents and Secretaries) hold or represent two-thirds of the shares. Therefore we are in the hands of Messrs. Scott and Co., and this position must, I think, be accepted, until it is proved that some *better* arrangement can be secured.

Documents referred to.	Profit, Rs.	Loss, Rs.	Progress of events.
Directors' seventh Report, 31st December 1890.	...	18,124	Rs. 3,000 carried to Depreciation; 120 looms out of 187 at work; 17 retail shops opened; 1,200 bales of yarn on stock. Another Cotton Mill started locally. Debentures started as "the Company has no working Capital whatever." Clause 105, Articles of Association, altered (3rd February 1890), whereby Agents' Commission is altered from 10 per cent. on profits "to 3 pies per pound of yarn and not cloth manufactured." Agents' commission Rs. 14,865 (3 pies on 951,360 lbs. of yarn) represents nearly the whole of the loss under altered clause. The Agents to remain in office after the fixed term of 25 years, unless removed by majority of votes.
Directors' eighth Report, 31st December 1891.	14,628	...	Profit absorbed in the loss of 1890 and cost (Rs. 4,464) of dismantling 4 mule frames and 2,976 spindles. Rs. 35,648 paid as interest on loans — 1½ lakhs of debentures taken up. Two-thirds of looms stopped working. Loss under Mr. Clark Rs. 6,000. Mr. Fairweather, the local representative of the agents. Mr. Scott present for 4 months. Agents' commission Rs. 18,724 (3 pies on 1,238,336 lbs. of yarn) swamp the profits. The debts are shown, *viz.*, Shareholders' money Rs. 4,43,000 Debts Rs. 5,38,013. Total Rs. 9,81,013. The assets are given at Property Rs 8,01,012. Stock in Trade Rs. 1,12,113. Credits and cash Rs. 59,608. Total Rs. 9,72,733.
	77,626	52,378	
	52,378	...	
Net profit during 7 years.	25,248	...	Shareholders have received Rs. 29,190. Agents' commission has amounted to Rs. 50,888 and their office allowance to Rs. 24,600. Agents say they are taking their commission in debentures; if so they are lending money to the Mill at 7½ per cent., and to all intents saddling it with a permanent debt for interest.

10. *Balance Sheet for* 1891.—From that statement I generally understand that if the *book values* of the property, &c., held by the Company were realised to-morrow there would be enough (less Rs. 2,598) to return *every shareholder and creditor* his money. To explain my meaning, I give the liabilities and assets below, thus:—

Liabilities to	Rs.	*Assets from*	Rs.
Capital	4,43,000	Land and Plantation	13,128
Mysore Government Loan at 6 per cent.	2,36,900	Buildings	2,07,193
		Machinery and Plants	5,83,692
S. Venkatavardiengar	1,01,022	Stock	1,12,114
Messrs. Scott and Co.	78,459	Debts due...	50,209
Debentures at 7½ per cent. ...	1,21,633	Cash	9,399
Total ...	9,81,014	Reserve	2,681
	9,78,416		
	2,598	Total ...	9,78,416

To show how the liabilities have increased from Rs. 3,88,395 in 1884 to Rs. 9,83,695 in 1891, I have prepared Table A (attached). This table shows during eight years the balances for six years as "loss" and for two as "profit."

9. *Progress.*—This I endeavour to show clearly in the following table. The result is a gain of Rs. 25,248 in seven years. Against this the shareholders have received as dividend Rs. 29,190, while the Agents have taken Rs. 50,688 as commission and Rs. 24,600 as office allowance :—

Documents referred to.	Profit, Rs.	Loss, Rs.	Progress of events.
General Meeting, 30th January 1884.	...	...	Share list being closed; 4,125 shares of Rs. 100 allotted; site purchased. Mr. Scott in England purchasing machinery. Articles of Association adopted. Directors elected; building started in February 1884.
Directors' first Report, 25th January 1885.	...	...	4,215 shares allotted, Rupees 47,105 due from shareholders. Mill building nearly finished. Machinery nearly all at site; 1,000 fully paid up shares deposited in terms of para. 109, Articles of Association, as collateral security for guaranteed dividend at 12 per cent. for 12 years to those holding guaranteed shares.
Directors' second Report, 20th December 1885.	...	15,828	Mill complete. Engines christened 28th October 1885; 4,065 shares paid for and share list closed. Loan for Rs. 1,00,000 negotiated at 8¾ per cent. for three years as "amply sufficient to meet all working requirements." Total cost of mill put at Rs. 4,20,000 round. Independent reports on building and machinery promised. Rupees 15,828 advanced from capital to meet expenditure. Rupees 46,600 due from shareholders. Messrs. Scott and Co., Agents, consent to take over the executive.
Directors' third Report, 31st December 1886.	...	18,426	Mill began work 1st April 1886. Mill in full operation July 1886. Number of spindles 10,370. First Manager dismissed, second Manager died, third Manager dispensed with, fourth Manager engaged. Article 3, clause N., Articles of Association, altered (2nd September 1886), whereby Mr. Scott ceased to be Secretary, and Messrs. Scott and Co. (Agents receiving 10 per cent. on net profits) became Secretaries with an allowance of Rs. 600 monthly for office establishment (583 votes against 35). Section 70 of Articles of Association also altered, whereby every share henceforth carries one vote. Arrears due from shareholders Rs. 33,650.
Directors' fourth Report, 31st December 1887.	8,238	...	Loss by fire Rs. 3,474. Shares allotted Rs. 4,17,000. Mysore loan under negotiation for purpose of increasing capacity of production by 60 per cent. and reducing cost of production by 25 per cent.
Directors' fifth Report, 31st December 1888.	44,741	...	Agents reduce profit (Rs. 50,627) by their fee (Rs. 5,886) at 10 per cent. on profits for 1887 and 1888. *First* dividend at 7 per cent. (Rs. 29,190) declared. Rupees 2,681 carried to Reserve and Rs. 2,681 to Depreciation of Plant. Mr. John Law, Manager. Mysore loan of Rs. 2,00,000 at 6 per cent. secured, 12th November 1888. Rupees 1,00,000 is for extension of buildings and 5,000 ring spindle frames, and Rs. 1,00,000 for paying off the one lakh loan of 1885; 330 unallotted shares to be made over to Mysore. Mill being extended. Directors "are satisfied that they are in possession of a very valuable property."
Directors' sixth Report, 31st December 1889.	10,019	...	Agents' commission at 10 per cent. on profit Rs. 1,129. Profit Rs. 10,019 applied to meet cost of Flour Plant (Rs. 7,019) and Rs. 3,000 carried to "Depreciation of Plant." Mr. Law invalided and Mr. Scott in charge for 4 months. New loom-shed, 187 looms almost finished to consume 2,000 lbs. of yarn daily. Flour grinding Plant ordered, to grind 5,000 lbs. per day.

11. *Liabilities.*—Taking the heads of the Balance Sheet in order there is—

Capital Rs. 4,43,000.—There are 4,500 shares of Rs. 100 each. Messrs. Scott and Co. hold 1,810 (Mr. Scott 1,361, Mr. Alcock 226, Mr. Shaporjee 223; they have also guaranteed to pay 12 per cent. for 12 years on 975 shares. The Mysore Government holds 250 shares. There are 70 shares of Rs. 100 each still unallotted.

Mysore Loan Rs. 2,36,900.—In October 1888 the Mysore Government advanced two lakhs rupees, and subsequently an additional Rs. 50,000 at 6 per cent. repayable as under—

On 31st December 1888
On 31st December 1889 Rs. 20,000, and
On 31st December 1890 Rs. 30,000, and
On 31st December 1891 Rs. 40,000, and
On 31st December 1892 Rs. 50,000, and
On 31st December 1893 Rs. 60,000, and
} all interest due to date.

The property was at the time insured for Rs. 3,97,500, and I understand that the Mysore loan was granted on terms as proposed by the Directors themselves. I note, therefore, that by the terms of the loan only Rs. 1,10,000 should at this date remain unpaid instead of Rs. 2,36,900, but this alteration has been made, I believe, with the consent of the Darbár. The Darbár might be asked (as the security is ample and the Mill employés 600 or 700 labourers) to maintain the loan at two lakhs and distribute the return of its capital over a greater number of years, say at a minimum rate of Rs. 15,000 per annum. The Darbár might, I think, be also asked to take the 70 unallotted shares as part repayment. (Question 20).

I notice also in the Deed with the Mysore Darbár it is stipulated that "mortgagors shall not raise a further loan." Debentures have, however, been issued, and this, I understand, was done with the consent of the Darbár.

The Deed also says that the Mill "shall not declare a dividend greater than 12 per cent." This, I venture to say, is contrary to the terms under which shareholders subscribed. The terms of the guarantee stipulate that 12 per cent. will be paid, *plus* half any further profit. However, this is a point, as a guaranteed shareholder, I do not propose to dwell upon, and I am willing to let any surplus on my own shares be carried to "Reserve."

Mr. S. V. Iyengar, Rs. 1,01,022.—This loan is, I understand, in connection with working the out agencies. I heard from three or four persons that Mr. S. V. Iyengar has rendered very material assistance to the Mill on more than one occasion. It is fully secured, I believe, by "Stock" Rs. 1,12,114. It bears interest at 9 per cent., and it is proposed, as money is raised by debentures, so shall this sum be paid off, that is to say the "Working capital" will be provided at 7½ per cent. instead of 9.

Messrs. Scott and Co., Rs. 78,549.—The bulk of this is apparently due to "Manchester loan" which was taken up to repay a portion of Mr. S. V. Iyengar's loan. Some explanation should be given as to the terms of this loan.

Debentures, Rs. 1,21,500.—The Trust Deed is dated 28th March 1891. The incumbrances noted therein are—

Mortgage of 22nd October 1888 for 2 lakhs to Mysore Government.
Ditto of 24th January 1890 for ½ lakh to ditto,

and the Company determined to raise 500 mortgage debentures at 7½ per cent. as a first charge against the Mill after the Darbár loans above mentioned. With the Darbár loan of 2 lakhs at 6 per cent., and 2½ lakhs of debentures at 7½ per cent. there will be no necessity, I am told, for increasing the "Working capital." Part is probably payment to Asa Lees for ring spinning machinery. Part is on account of Agents' commission. Some explanation should be given of the nature of this liability.

Reserve Fund, Rs. 2,681.—A small sum, but the entry is sufficient to draw attention to its necessity.

Depreciation.—Nothing has apparently been reserved although certain sums, *viz.* :—

	Rs.
In 1888	2,681
In 1889	3,000
In 1890	3,000

are mentioned in the Directors' Reports as witheld for this purpose. Some explanation is required on this head.

12. *Assets.*—Turning now to the other side of the Balance Sheet, the property including Land, Plantation, Buildings, Machinery and Plant are put at Rs. 8,04,013. What does this mean? Does it represent the capital cost of construction and erection? or does it define the present marketable value at the *current* rate of exchange? In connection with these questions where is the "reserve fund for depreciation"? With the rupee at its present value the cost of the Mill might possibly be represented at about one-fourth more, and with the rupee at 1*s.* 9*d.* at one-fourth less than the figures entered. How is the credit value of the Mill to be shown under a fluctuating value of the rupee? The Mill, in my opinion, is to all intents as good as new, but nevertheless a reserve of 5 per cent. at least on machinery and 5 per cent. on buildings should be made from revenue yearly to meet the charges not only of *efficient maintenance* but also in *substituting* machinery of latest designs. Therefore, I think, that 5 per cent. on 8 lakhs or Rs. 40,000 at least annually should henceforth be *reserved* (and reserved in such a way as to be immediately available for depreciation.)

Stock and Stock in Trade, Rs. 1,12,114.—This, I understand, is placed at the different out agencies where an additional commission is charged on sales. It is also I believe considered as the security for Mr. S. V. Iyengar's loan.

13. *Profit and Loss.*—I have drawn up Table B (attached) showing the expenditure and receipts for eight years. The operations have amounted to over 26 lakhs rupees and the result is a net profit of Rs. 25,248 or rather less than 1 per cent. Is it worth risking so much to gain so little? Nearly 20 lakhs have been spent in cotton, yarn, fuel and stores. Nearly 25 lakhs have been realised from the sales of yarn, cloth and waste. Where then has the difference of 5 lakhs gone to? The following will give some idea of the main channels of expense, *viz.* :—

	Rs.
Salaries	2,61,225
Interest	1,23,489
Agents' commission	58,291
Insurance	33,965
Agents' office	24,600
	4,01,570

Is there no "economical maximum" to which a Mill may be worked, whereby production (and therefore salaries, commission, interest, office, contingencies, &c., &c.), may be restricted with reference to profit? If in 1888 the purchase of cotton cost Rs. 2,69,133 and the sale of yarn gave Rs. 3,65,145 with a profit for the year of Rs. 44,471, why should the purchase of cotton and yarn for Rs. 4,10,731 and their sale for Rs. 6,03,471 result in a bare profit of Rs. 14,628 in 1891? In simple arithmetic if the difference between purchase and sale in 1888 (Rs. 96,012) gives Rs. 44,471 profit, what will the difference for 1891 (Rs. 1,93,010) give? The answer is Rs. 89,409 or rather more than six times the result attained. If the Agents are not responsible for such poor results, then pray who is?

14. *Premises.*—The outward appearance of the premises is untidy, and this might be altered at but little expense. All screens of packing case boarding should be replaced by proper walls or corrugated iron sheets. The space opposite the entrance gate should be cleared and levelled off as a carriage stand. The gate itself should be more substantially built and a separate gate provided for foot passengers. The rubbish on the estate (12 $\frac{59}{100}$ acres) should be collected

at one or two spots and removed daily by municipal carts. The dwelling spaces and outlying plots should be neatly preserved within a suitable wire fence. Proper lines should be built for the workmen, and, if necessary, an additional plot of land (east of the water) should be taken up for the purpose. All buildings should be properly maintained, broken panes and tiles should be renewed regularly, and no opportunity should be lost of preserving the appearance from the road as that of a mill in a flourishing condition.

15. *Working areas.*—Within the walls, I thought the area somewhat cramped, larger spaces are required for wood stacks, for inspecting cotton bales, for foundry, for latrines, &c. Within the building, it did not strike me that the sections of work, led quite conveniently from one to the other. For instance, raw cotton is stored at ground level, and its first process is conducted on the first floor. "Rolling" seemed to be apart from "carding" while spinning was conducted for the most part on the first floor. The return also of the reels to the lower floor was performed by hand down the main stairs.

16. *Offices.*—The clerks' office was appropriately placed in an inner room but the Agents' room apparently was the general rendezvous for buyers, sellers, contractors and their friends. A sample room wherein all classes of goods manufactured (with the prices of the day attached) could be stored for inspection of buyers seemed to me to be much required.

17. *Dissatisfaction.*—There is a feeling that if Mr. Scott remains in Bangalore, the mill work will progress satisfactorily, but unfortunately Mr. Scott does not remain in Bangalore and consequently when Mr. Scott proceeds elsewhere on other business for long periods, the local shareholders (holding a small percentage) begin to doubt, and perhaps to imagine that affairs are in the worst condition. This in itself is unsatisfactory, and if Mr. Scott cannot reside near the mill, then the proper course would be to employ a paid Manager who should be responsible to Managing Directors. During Mr. Scott's absence I do not think the management should be left in a mill master' shands. Mr. Scott lately proposed to visit England again for the purpose of placing the balance of the debentures, and he had engaged a Manager from England to take his place and at his own expense. Mr. Fairweather had arrived in Bangalore before I left, but Mr. Scott now intends to postpone his own departure.

18. *European Supervision.*—This lately was costing about Rs. 1,000 monthly.—Now there are only three men (one of whom is paid by the Agents), and the cost to the Mill is Rs. 600 a month. Mr. Scott in the engine-room explained to me that lately he had dismissed the Engineer and that his place had been taken by the native assistant. The work was now being thoroughly well done, and at about one-tenth of the cost of the previous arrangement.

19. *Administration.*—There is no objection to Messrs. Scott and Co., or any other respectable firm being the Agents, but this duty, I consider, could be done well and thoroughly at a cost of about one-fourth of what is now paid under commission and office allowance. But as I have already remarked, two-thirds of the payments are from the Agents' own pockets. Would not one European Manager under a Managing Director suffice ?

20. *Directors' Meetings.*—The total fees under this head are Rs. 2,865 for eight years. Meetings, I think, ought to be held regularly once a month at an early date not only to review the operations of the past month but to arrange a programme for the current month. All contracts for cotton, wood, &c., and all sales should be confirmed by the Directors. A Director should also be present at the monthly payments, and he should also countersign the daily labour sheets. At present time the daily papers in reporting proceedings of certain banks in liquidation in Northern India are commenting very seriously on acts of *omission* on part of Directors.

21. *Monthly Statements.*—Statements of expenditure and receipts under all heads of Profit and Loss should, I think, be submitted to the Directors monthly for approval and countersignature. The consumption of cotton stores and fuel should be shown. Wages, interest, commission, insurance,

office allowance, and contingencies should be entered. Depreciation should be provided for. And the outturn of yarn and cloth duly priced should be given with any miscellaneous receipts from such sources as flour mill, tent-making, &c. A balance being struck—the profit or the loss on the month's operations could be seen at a glance and the percentage which the balance bore to the capital involved should be figured out.

Such a statement was prepared for me by Mr. Scott, showing the result of work for 28 days in January 1892. The profit was shown to be Rs. 2,198 for the month or nearly 6 per cent. for the year. The outlay is given at Rs. 42,839 and the produce at Rs. 45,037. But the outturn of yarn is given at 4,000 lbs. whereas it ought, under fair conditions, to be at least 5,000 lbs. per day. I am led to refer to this rough statement which shows a *profit* for January, because I was informed on very good authority that "Binny's Mill" (which started after the Mahárája Mill) was worked at a loss during the same period and also that orders had issued for Binny's Mill to stop spinning, &c., for three days out of seven.

22. *Wood Fuel.*—The Darbár might be asked to allow contractors to cut wood for the mill on the same terms as for the Railway. But I should be inclined to recommend the use of Casuarina wood only, and this for two reasons, *viz.*, it is the best steam giving, and it may lead to more easy detection in case of robbery.

23. *Conclusion.*—I think the Mahárája Mill is a good property and by the addition of looms has become far more valuable than before. Two-fifths of the mill is the property of Messrs. Scott and Co. It has 188 looms, 6,000 spindles (principally ring spinning) flour mill, tent factory, &c. The accounts should, I think, be more closely scrutinised by the Directors and passed under what may be termed a current audit. The nature of the loans, &c., should be more clearly placed before the shareholders, and the general position of the Company should be more fully explained. The connection of the Mysore Darbár with the Mill is I consider so important that every endeavour should be made by the Directors to secure it for a longer period on reduced instalments.

The fact of little or no profit having been declared, speaks for itself, but whether the poor result is in any way due to negligence on the part of the Agents I am not prepared to say. However, beyond the ordinary difficulties which encompass all mills I have been told by Mr. Scott that this Mill has been "robbed right and left" both by Europeans and natives who held responsible positions with the Company. The full extent of this evil may or may not have been discovered and removed, but until the Directors can show that the Mill works at a profit, full confidence will not be restored. The Mill shares naturally are not, under existing circumstances, in demand, but if the Mill is in a sound condition, its debentures ought to be at a premium just as debentures in other Companies at Calcutta and elsewhere are at present.

Personally I am satisfied as to the *value* of the property (not necessarily at the price given in the Balance Sheet), and as Mr. Scott has assured me he intends to work the Mill himself, I have, with a view to help the financial working, agreed to take my guaranteed interest for 1891 in debentures and have taken other debentures as well, making in all Rs. 20,000 since I left Bangalore.

24. *Questions.*—In the idea of drawing attention to what I consider the more important points of these notes, I attach a list of questions to which I trust "Scott & Co." will favour you with answers and explanations :—

(1) Has Rs. 15,828 advanced from capital to meet loss in 1885 been adjusted ?

(2) Should not Secretaries' office allowance at Rs. 600 monthly include printing, postage, stationery, &c. ?

(3) Why should Company pay Mr Hogg's passage money (Rs. 669) in 1886 ?

(4) How is the sum of Rs. 2,681 carried to "Depreciation of Plant" in accounts for 1888 shown ?

(5) How has the cost of flour plant (Rs. 7,019) in accounts for 1889 been shown ?

(6) How is the sum of Rs. 3,000 from profits carried to "Depreciation of Plant" in accounts for 1889 shown ?

(7) How has Rs. 3,000 (in addition to the loss of Rs. 18,124) been carried to "Depreciation" for 1890 as resolved ?

(8) Will Agents agree to forego their fee if mill works at a loss ?

(9) How is the "Depreciation of Plant," &c., by loss in dismantling four mule frames and 2,976 spindles (Rs. 4,464) shown in the accounts for 1891 ?

(10) Why should not Agents pay for losses under Mr. Clark out of their commission ?

(11) If Mr. Fairweather is "local representative" of Agents and paid for by the Agents, why should Directors mention him in their eighth report ?

(12) Are the buildings worth Rs. 2,07,193 at present rate of exchange of one shilling and three pence half penny ?

(13) Is machinery and plant worth Rs. 5,83,692 at present rate of exchange one shilling and three pence half penny ?

(14) What are the values of Questions 12, 13 above, if the rupee is at one shilling and six pence ?

(15) Should present value of Questions 12 and 13 be taken at a fixed rate ?

(16) Is stock worth Rs. 1,12,114 ?

(17) Does the firm of James Scott and Co., of Bombay, exist in all its integrity, and are Messrs. James Scott, Isaac Alcock and Shapoorjee Burjojee still individually and collectively responsible to shareholders for the 12 per cent. guarantee dividend ? (see para. 5).

(18) Cannot Agents' commission on *production* be limited to Rs. 12,000 per annum ?

(19) Will the Darbár consent to distribute the return of its loan over a greater number of years ; say at a minimum rate of Rs. 15,000 per annum ?

(20) Will Darbár take 70 unallotted shares as part repayment of the loan ?

(21) What does liability Rs. 78,549 to Messrs. Scott and Co. consist of ?

(22) To whom are debentures Rs. 1,21,500 payable and for what account ?

(23) Does the Insurance Company require that the Engineer should hold a full certificate ?

(24) What is the economical maximum to which this mill might be worked whereby production may be restricted with reference to profit ?

With kind regards,

Believe me,

Yours very truly,

(Sd) A Chessman

To B. SREENEVASIENGER, Esquire,

Retired Assistant Commissioner,

Chairman, Mysore Mill, Bangalore.

TABLE A.—MAHARAJA MYSORE MILL.

Liabilities.	Directors' Reports. First Report, 25th January 1885.	Second Report, 20th December 1885.	Third Report, 31st December 1886.	Fourth Report, 31st December 1887.	Fifth Report, 31st December 1888.	Sixth Report, 31st December 1889.	Seventh Report, 31st December 1890.	Eighth Report, 31st December 1891.	Remarks.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
I. Capital	3,74,395	4,03,400	4,16,350	4,17,000	4,17,000	4,17,000	4,43,000	4,43,000	
II. Loans, &c.	14,000	24,359	1,00,000	1,36,855	2,25,037	4,32,050	5,45,799	4,16,381	
Due to Debentures	...	...	...	...	...	...	...	1,21,633	
VI. Reserve Fund	...	...	...	...	...	2,681	2,681	2,681	
Depreciation	...	...	...	...	...	...	...	...	
Profit	...	...	...	...	34,552*	10,019†	...	...	* Reserve Rs. 2,681, Depreciation Rs. 2,681 and Dividend Rs. 29,190. † Depeciation Rs. 3,000, Flour Plant Rs. 7,019.
Total Liabilities	3,88,395	4,27,759	5,16,350	5,53,855	6,76,589	8,61,750	9,91,480	9,83,695	
Assets.									
II. Land	2,128	2,128	2,128	2,128	2,128	2,128	2,128	13,128	
Buildings	72,436	1,00,000	1,06,913	1,08,848	1,34,882	1,44,060	2,07,275	207,193	} Rs 8,04,013.
Machinery and Plant	2,98,706	3,00,000	3,13,850	3,16,432	3,80,991	4,78,177	5,30,329	5,83,692	
Preliminary Expenses	...	...	27,419	27,420	27,420	...	...	...	
Stock	...	...	44,438	76,512	1,24,609	2,30,102	1,45,872	1,12,114	(a) Rs. 47,105 due from shareholders.
IV. Debts due to Company	...	...	143	143	594	3,281	80,735	50,209	(b) Rs. 46,600 ditto.
V. Cash	5,129	9,803	3,031	12,184	5,965	4,002	7,017	9,399	(c) Rs. 33,650 ditto.
Loss	(a) 9,946	(b) 15,828	(c) 18,426	10,168	...	...	18,124	7,960‡	‡ After dismantling mule and spindle frames Rs. 4,464.
Total Assets	3,88,395	4,27,759	5,16,350	5,53,855	6,76,589	8,61,750	9,91,480	9,83,695	

A. LEM.,

20-4-92.

TABLE B.—MAHARAJA MYSORE MILL.

Expenditure in Rupees.	Profit and Loss.								Remarks.
	30th December 1885.	31st December 1886.	31st December 1887.	31st December 1888.	31st December 1889.	31st December 1890.	31st December 1891.	Total Rupees.	
	Rs	Rs	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
Cotton	...	1,54,396	1,78,917	2,69,133	3,87,550	3,94,941	3,22,415	17,07,361	
Yarn	...	...	...	...	...	...	88,316	88,316	
Grain purchased	...	...	...	...	...	...	8,749	8,749	
Fuel do.	...	19,077	24,674	23,541	26,157	30,932	28,750	1,53,131	
Stores	...	14,547	16,894	14,243	21,507	22,644	27,986	1,17,821	
Salaries	9,460	32,546	31,554	34,767	43,452	51,173	58,273	2,61,225	
Interest	644	8,507	11,430	11,774	22,373	33,113	35,648	1,23,489	
Agents' commission	...	...	...	5,886	1,120	25,140	18,724	50,868	
District Agents' commission	...	...	39	218	698	...	6,448	7,403	
Insurance	...	4,737	1,978	5,831	6,683	6,911	7,825	33,965	
Auditors' fees	60	200	311	200	200	296	310	1,577	
Directors' fees	480	695	230	360	405	100	595	2,865	
Printing and advertisement	3,257	1,049	510	275	502	1,105	641	7,339	
Registration and Stamp Duty	335	...	..	1,413	...	255	561	2,564	
Postage and telegrams	...	...	...	...	...	152	485	637	
Stationery	...	...	...	...	...	100	269	369	
Rent account	315	548	76	97	84	74	291	1,485	
Agents' Office allowance	...	1,800	7,200	7,200	7,200	1,200	..	24,600	
Law charges	353	...	...	...	300	23	178	854	
Preliminary expenses	601	...	...	...	...	...	...	601	
Commission and exchange	...	...	...	...	..	...	13	13	

Repairs to buildings	...	...	...	...	283	...	167	786	1,236
Passage money	...	669	...	...	...	...	...	...	669
Loss by fire	...	...	200	...	...	...	...	...	200
Contingencies	1,713	1,931	1,253	1,482	1,811	1,223	2,102		11,515
Bad debts	...	...	...	...	143	...	...		143
Flour Mill	...	...	...	...	...	19,956	...		19,956
Weaving revenue	...	...	...	...	...	4,722	...		4,722
Banding machine	...	...	...	...	...	134	...		134
Total Expenditure ...	17,218	2,40,702	2,75,266	3,76,703	5,20,203	5,94,370	6,09,365		26,33,827
RECEIPTS IN RUPEES.									
Yarn	...	1,74,050	2,46,274	3,65,145	5,21,565	5,45,829	4,72,197		23,25,060
Cloth	...	...	...	...	...	6,167	1,31,280		1,37,447
Waste	...	3,289	3,757	5,635	6,077	2,965	5,094		26,817
Flour, &c.	...	...	...	...	...	20,725	14,649		35,374
Sundries	...	...	1,335	2,076	2,553	549	765		7,278
Transfer fees	40	98	64	10	27	11	8		258
Stock in trade	...	44,438	32,074	48,578	...	...	...		1,25,090
Interest	...	225	...	...	...	...	...		225
Current account	...	175	...	...	...	...	...		175
Shares forfeited	1,350	...	...	...	...	...	...		1,350
Total Receipts	1,390	2,22,275	2,83,504	4,21,444	5,30,222	5,76,246	6,23,993		26,59,074
Profit	...	...	8,238	44,741	10,019	...	14,628		77,626
Loss	15,828*	18,426	...	...	..	18,124	...		52,378
Net Profit ...	...	...	...	...	...	...	...		25,248

* Apparently met from Capital.

A. LeM.

20-4-92.